

Message Text

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PAGE 01 BONN 00798 161637Z

21

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

XMB-02 /113 W

----- 000739

R 161536Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5702

INFO AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EFIN

SUBJ: DEBT PROBLEMS OF THE DEVELOPING COUNTRIES

REF: (A) STATE 3567; (B) BONN 19182

1. FRG OFFICIALS HAVE CONFIRMED TO US THAT THERE HAS BEEN NO CHANGE IN FRG POLICY CONCERNING LDC DEBT PROBLEMS. THE FRG REMAINS OPPOSED TO ANY FORM OF GENERALIZED DEBT RELIEF, AND TO THE USE OF DEBT RELIEF AS A DEVELOPMENT AID TOOL. HOWEVER, FRG OFFICIALS ARE CONCERNED ABOUT GROWING DEBT PROBLEM FACING NUMBER OF LDCS AS WELL AS TACTICAL PROBLEM OF RESPONDING TO DEMANDS FOR GENERALIZED DEBT RELIEF.

2. WIESEBACH, WHO HEADS POLICY PLANNING OFFICE IN
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PAGE 02 BONN 00798 161637Z

MINISTRY FOR ECONOMIC COOPERATION, INDICATED TO US

THAT HIS MINISTRY STILL BELIEVES THAT A MORE FORTH-COMING STANCE TOWARDS DEMANDS IN UNCTAD FOR DEBT RELIEF WILL BE UNAVOIDABLE. HE BELIEVES THAT FRG CABINET WILL HAVE TO MEET WITHIN A MONTH TO RESOLVE THESE INTER-MINISTERIAL DIFFERENCES CONCERNING DEBT RELIEF POLICY.

3. IN REVIEWING US POSITION, WIESEBACH PROBED FOR ANY INDICATION THAT WE MIGHT BE PREPARED TO OFFER SOME FORM OF GENERALIZED DEBT RELIEF. HE POINTED OUT THAT MANY DIFFERENT DEGREES OF DEBT RELIEF ARE POSSIBLE, AND THAT SOME FORMS MIGHT NOT EVEN BE CALLED DEBT RELIEF. HE ASKED SPECIFICALLY WHETHER US COULD ACCEPT ANY KIND OF PROLONGATION OF THE MATURITY OF OFFICIAL DEBT, OR A GENERALIZED EASING OF TERMS FOR OUTSTANDING OFFICIAL DEBT TO LEAST DEVELOPED COUNTRIES, POSSIBLY BY EASING THE TERMS FOR ALL SUCH DEBT TO IDA TERMS. WIESEBACH ALSO QUESTIONED US VIEW THAT GENERALIZED DEBT RELIEF WOULD HARM ACCESS TO CAPITAL MARKETS BY ADVANCED LDCS. HE SUGGESTED THAT A BROAD INTERNATIONAL UNDERSTANDING ON LDC DEBT RELIEF MIGHT ON THE CONTRARY INCREASE GENERAL CONFIDENCE THAT LOANS TO LDCS WOULD BE REPAYED, AND THUS WOULD SERVE TO INCREASE THE FLOW OF PRIVATE CAPITAL TO LDCS. HE ASKED IF WE WOULD INDICATE WHICH LDCS HAVE INDICATED THAT GENERALIZED DEBT RELIEF WOULD NOT BE IN THEIR INTEREST.

4. WHILE HE CONFIRMED OFFICIAL FRG VIEW OPPOSING GENERALIZED DEBT RELIEF, DEPUTY ASST. SECRETARY MUELLER-THUNS IN ECONOMICS MINISTRY TOLD US THAT HE PERSONALLY WAS WORRIED ABOUT ABILITY OF MAJOR CREDITORS TO HOLD TO THIS LINE. HE CATEGORIZED DEMAND FOR DEBT RELIEF AS ONE OF MANY LDC PROPOSALS FOR WHAT WOULD IN EFFECT CONSTITUTE INCOME TRANSFERS FROM INDUSTRIALIZED COUNTRIES. HE

NEVERTHELESS WONDERED WHETHER INDUSTRIALIZED WORLD COULD COME UP WITH ANY FORM OF COUNTER-OFFER WHICH MIGHT TURN ASIDE PRESSURE FOR DEBT RELIEF WHILE AT THE SAME LIMITED OFFICIAL USE

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PAGE 03 BONN 00798 161637Z

TIME MAKING MINIMUM DEMANDS ON OUR TREASURIES.

5. MUELLER-THUNS HELD OUT LITTLE HOPE THAT WE COULD EXPECT MUCH FRG SUPPORT AGAINST DUTCH PROPOSAL IN DAC. IN VIEW OF CLOSE PERSONAL RELATIONS BETWEEN MINISTER BAHR AND DUTCH MINISTER PRONK, BAHR HAS TRIED VERY HARD TO AVOID MAKING OPEN ATTACKS ON DUTCH POSITIONS. FRG RETICENCE IN DAC CONTEXT SHOULD NOT HOWEVER BE

CONSTRUED BY US AS A SIGN THAT BASIC FRG POLICY IS
SOFTENING. MUELLER-THUNS CITED FRG STATEMENT AT
CIFT MEETING AS BEST RECENT STATEMENT OF OFFICIAL
POSITION.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, POLICIES, GOVERNMENT DEBTS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN00798
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760018-0193
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760151/aaaabtcy.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 3567, 75 BONN 19182
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 13 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 APR 2004 by BoyleJA>; APPROVED <23 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DEBT PROBLEMS OF THE DEVELOPING COUNTRIES
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006